SEIZING THE OPPORTUNITY

Economic
Development
And Trade

ALBERTA BUSINESS OVERVIEW

Let's Talk TRADE

89-05686/

SEIZING THE OPPORTUNITY

Message From The Minister

The Canada/United States Free Trade Agreement has created tremendous potential for Alberta business.

By giving new impetus to our economic growth, the Free Trade Agreement has launched a new era for Alberta business.

Better access to the United States marketplace presents an outstanding opportunity for business to expand and diversify. Improved security of access permits the development of long-range strategies which will enable companies to achieve their full potential.

No strangers to the challenges of international marketing, Albertans have proven they have the expertise to compete successfully in the global arena. Indeed, as trade barriers have fallen in the past, Alberta's business community has achieved significant gains. With this Agreement in place, we have even greater potential for growth.

I am confident that Albertans will respond swiftly, develop marketing plans to capitalize on this new environment, and seize the opportunities presented by this historic Agreement.

Peter Elzinga
Minister
Economic Development & Trade

Contents

AN EXECUTIVE OVERVIEW ____ **I**

OVERVIEW OF THE AGREEMENT ____ **V**

THE NEW BUSINESS ENVIRONMENT ____ **XI**

BUSINESS STRATEGIES ____ **XVII**

MARKET IMPACTS AND OPPORTUNITIES ____ **XIX**

AGRICULTURE AND FOOD PROCESSING ____ **1**

Livestock and Red Meats
Dairy and Poultry
Grains, Oilseeds and Their Products
Special Crops and Horticultural Products
Processed Foods
Alcoholic Beverages

ENERGY PRODUCTS ____ **9**

Crude Oil/Refined Products
Natural Gas
Natural Gas By-Products
Coal
Electricity

FOREST PRODUCTS ____ **17**

Sawmills
Panel Products
Pulp and Paper Mills
Wood Products

INDUSTRIAL AND CONSUMER PRODUCTS ____ **23**

Chemical and Chemical Products
Primary Metals
Fabricated Metals and Machinery
Non-Metallic Mineral Products
Transportation Equipment
Plastics
Printing and Publishing
Fashion, Apparel, and Leather Goods
Furniture and Fixtures

THE CONSTRUCTION INDUSTRY ____ 35

THE SERVICE SECTOR ____ 37

Business Services
Oil and Gasfield Services
Financial Services
Wholesale Trade
Retail Trade
Transportation Services
Tourism

ADVANCED TECHNOLOGY ____ 47

Biotechnology and Pharmaceuticals
Computer Software Services and Equipment
Electronics
Telecommunications Equipment

CONTACT CHECKLIST ____ 53

AN EXECUTIVE OVE

A Bold Step Forward

The product of three years of intensive negotiations, the Canada/U.S. Free Trade Agreement (FTA) represents the most comprehensive trade pact ever signed between two countries, and breaks new ground in such areas as agriculture, investment, and services.

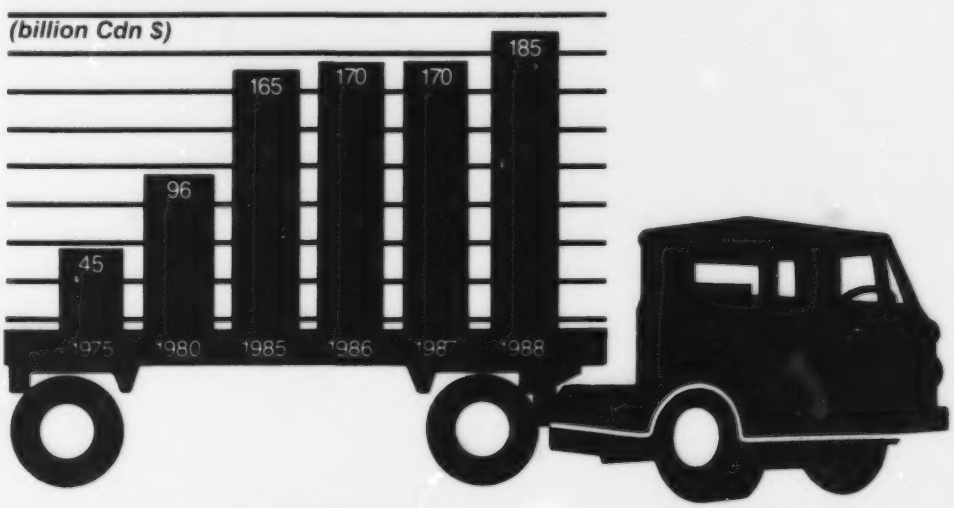
Even so, the Agreement does not signal a dramatic change in direction. Canada and the United States already maintain the world's largest two-way trading relationship, estimated at $185 billion in 1988. The Free Trade Agreement represents a logical continuation of the trade liberalization process.

Over the past decades, Canadian and Alberta industries have adjusted effectively to increased competition and have taken advantage of the new opportunities that have followed the reduction of trade barriers. At the same time, our business community has been constrained by trade barriers and by the possibility of new barriers being imposed in specific sectors.

The Agreement takes a bold step forward - at once countering protectionist trends and providing Alberta companies with greater freedom to pursue new opportunities throughout the U.S.

CANADIAN EXPORTS RISE AS BARRIERS FALL

Canada/U.S. Two-Way Merchandise Trade



Source: Statistics Canada

RVIEW

Alberta Is A Trading Province

Trade serves as a focal point for Alberta's economic growth. Having the potential to increase our exports is of tremendous importance to our future. The strength of Alberta's economy is, to a great extent, based on our ability to maintain and expand ties with our international trading partners.

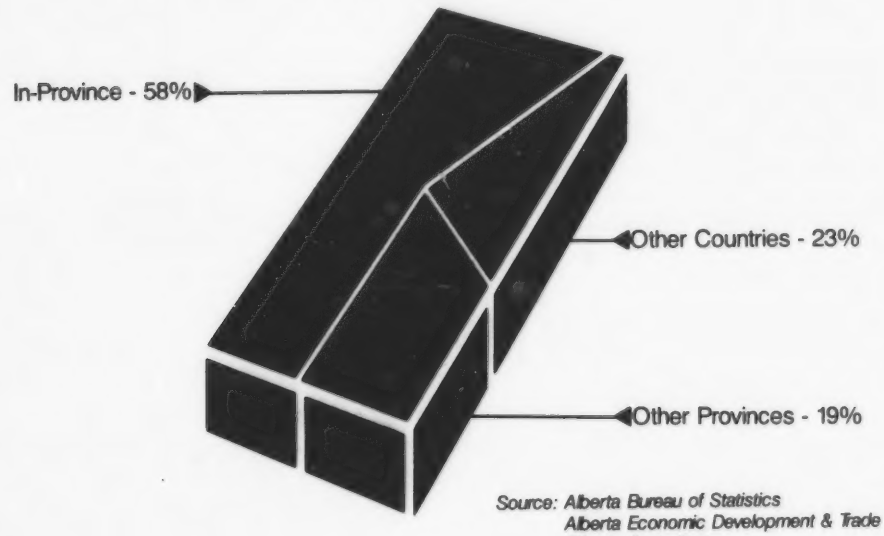
We market our products, services, and expertise around the world. In 1988, Alberta exported an estimated $13.8 billion worth of goods and services. This represented approximately 21% of our Gross Domestic Product (GDP).

As a trading province, Alberta has prospered from the removal of barriers to international trade. The elimination of barriers has allowed Alberta businesses to overcome the obstacle of a relatively small domestic market, has boosted economic performance and has increased employment.

Today, as many as 250,000 Albertans are employed as a result of international trade, half directly and half indirectly. It has also been estimated that up to 19,000 new jobs will be created for every billion dollars in new exports. To maintain existing jobs and to create new jobs, we must continue to compete in international markets.

ALBERTA'S TRADE PICTURE

Distribution of Goods and Services



Source: Alberta Bureau of Statistics
Alberta Economic Development & Trade
Alberta Agriculture

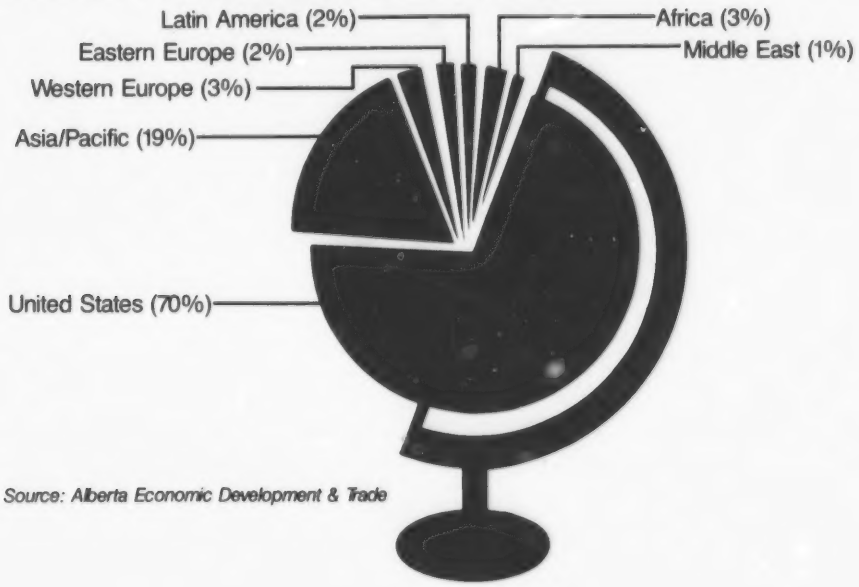
The U.S. Is Our Most Important Trading Partner

Alberta's exports reach destinations around the globe, countries as diverse as Japan, Morocco, the Peoples' Republic of China, and Brazil. In fact, Alberta exported goods and services to over 140 different countries in 1988.

For all we have accomplished in developing these international markets, however, our nearest neighbor remains our most important trading partner. In 1988, the United States accounted for 70% of our total merchandise exports. The same year, the Asia/Pacific region accounted for 19%, while exports to all other countries made up the remaining 11%.

ALBERTA'S INTERNATIONAL CUSTOMERS

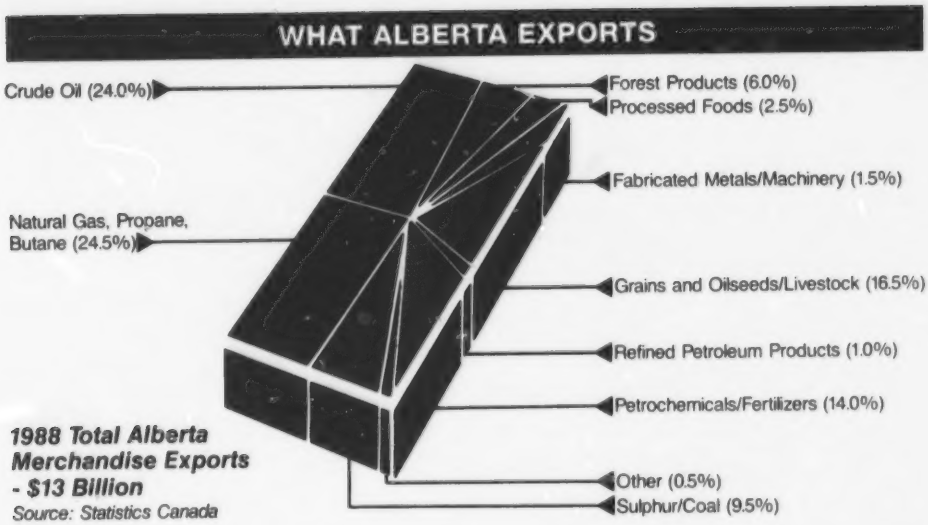
Destinations of Alberta Merchandise Exports, 1988



Source: Alberta Economic Development & Trade

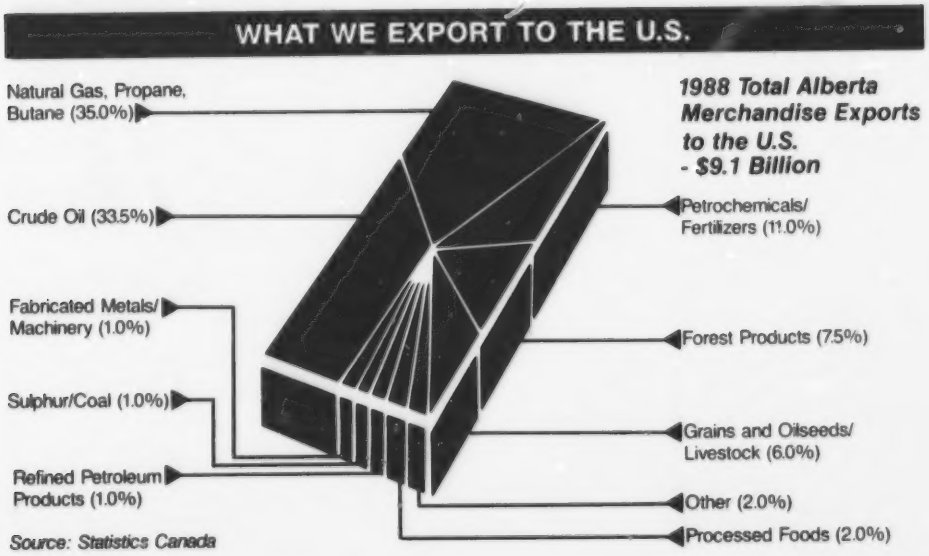
World Wide Exports

In 1988, Alberta's merchandise exports (not including services) totalled $13 billion. Together, exports of agricultural commodities, petrochemicals, sulphur, coal, forest products, industrial machinery, and refined petroleum products accounted for just over $6 billion of this total, almost equal to exports of energy products.



Exports to the U.S.

Merchandise exports to the U.S. (again excluding services) amounted to some $9.1 billion in 1988. Exports of oil and gas accounted for approximately $6.2 billion of this total, while agricultural commodities, petrochemicals, forest products, refined petroleum products, industrial machinery, sulphur, and coal were valued at $2.0 billion.


WHAT WE EXPORT TO THE U.S.
Natural Gas, Propane, Butane (35.0%)
Crude Oil (33.5%)
Fabricated Metals/ Machinery (1.0%)
Sulphur/Coal (1.0%)
Refined Petroleum Products (1.0%)
Source: Statistics Canada
1988 Total Alberta Merchandise Exports to the U.S. - $9.1 Billion
Petrochemicals/ Fertilizers (11.0%)
Forest Products (7.5%)
Grains and Oilseeds/ Livestock (6.0%)
Other (2.0%)
Processed Foods (2.0%)

OVERVIEW OF THE

This section summarizes the provisions of the Free Trade Agreement which relate directly to Alberta's economy and to Alberta business. As with all summaries, some of the more detailed information has been simplified. Should you require further information or clarification, a listing of Alberta Government contacts is provided on page 53.

Tariff Elimination

The two governments will remove all remaining tariffs and government-imposed customs user fees by January 1, 1998. Tariffs are being eliminated in three phases:

- Tariffs on some products were eliminated on January 1, 1989.
- For a number of other products, tariffs are being reduced in five equal steps of 20% per year, starting on January 1, 1989, until they are eliminated on January 1, 1993.
- Tariffs on all other products are being eliminated in 10 equal reductions of 10% per year, starting on January 1, 1989 and ending on January 1, 1998. On this date, all products will be tariff free.

Rules of Origin

Goods manufactured in both Canada and the U.S. will qualify for duty-free tariff treatment. For products using raw materials or components from other countries, goods will qualify only if they have been sufficiently changed either in Canada or the United States. These rules will ensure that only Canadian and U.S. manufacturers benefit from the Agreement.

Canadian import tariffs on products from other countries are not affected by the Agreement.

The Agreement provides that U.S. products sent to other countries (such as Mexican free trade zones) for final processing will not qualify for duty-free entry into Canada.

National Treatment

The fundamental "national treatment" obligation of the General Agreement on Tariffs and Trade has been incorporated within the Agreement.

This ensures that internal taxes, such as sales or excise taxes, cannot be higher on goods imported from the other country than on domestic goods. It also reinforces the national treatment obligation to measures adopted by provinces or states. This means that no province or state may use these types of measures to discriminate against imported products.

Investment

The Federal Government will continue to review direct acquisitions by U.S. investors, but by 1992 will review only those of $150 million or more. Guidelines on the review of investments in the oil, gas, and uranium-mining industries, transportation, and cultural industries have not been changed. Current restrictions in such areas as telecommunications remain in effect. It is estimated that two-thirds of the corporate assets which were reviewable prior to the Agreement are still subject to review today.

Furthermore, Canada's Competition Act remains in place to ensure fair and competitive practices.

Services

The Agreement covers a wide range of "tradeable" services. These include service industries in agriculture, forestry, mining, construction, distributive trades, insurance and real estate, and commercial and related activities.

Other service industries and basic government services are not affected by the Free Trade Agreement. These excluded services are:

- Government-funded services in health, education, and social services
- Transportation services
- Basic telecommunications services
- Medical and legal services (doctors, dentists, lawyers)
- Child care services

The obligations of the Free Trade Agreement do not require either country to change any existing laws governing services. In changing regulations for covered services, however, each country is guided by an obligation not to make its regulations any more discriminatory than at present. Any new legislation for services will have to conform fully to the principle of national treatment.

Business Travel Provisions - Both governments are modifying their regulations to facilitate business travel between the two countries. The Agreement makes it easier for professionals such as management consultants, accountants, and sales personnel, to cross the Canada/U.S. border for temporary business purposes. It will also make it easier to provide after-sales service to U.S. customers.

Government Procurement

Canada and the United States have agreed to further open up federal government procurement to suppliers in both countries. All designated federal government purchases above $33,000 (Cdn.) are now open to competition unless they are excluded for reasons of national security or excluded under various set-aside programs. The Agreement does not affect provincial, state, or local government procurement practices.

Suppliers who believe they have been treated unfairly in the bidding process can obtain an impartial and timely review through a "bid challenge" mechanism.

Technical Standards

The commitments on technical standards guarantee that each country fully retains its ability to regulate standards in the areas of health, safety, consumer, and environmental protection.

Both Canada and the U.S. will, however, undertake to make their national technical standards more compatible and to encourage further harmonization at the provincial, state, and private levels. This should reduce the costs of exporting which arise from the need to meet different standards.

Agriculture

The agricultural provisions of the Free Trade Agreement cover all primary and processed agricultural goods.

- Both governments have agreed not to introduce or maintain export subsidies in their agricultural trade with each other.
- Canada and the United States will exclude each other from their respective meat import laws covering beef and veal, while retaining their rights to reimpose controls to prevent third-country diversion.
- Canadian import licenses for wheat, barley, oats, and their products will be eliminated once government support levels in the United States become equal to or less than Canadian government support levels. The United States will not impose quantitative restrictions on Canadian grain and grain product exports, as long as support levels for these grains and their products do not change sufficiently to distort trade.
- The United States has agreed to accept the term "canola oil" as being synonymous with the term "low erucic acid rapeseed oil".
- The United States has agreed not to introduce or maintain any quantitative restrictions or import fees on Canadian products containing 10% or less sugar.
- Payments made under the Western Grain Transportation Act on agricultural goods sold to the United States through west coast ports will cease.
- Canada's existing supply management system for dairy, poultry, and egg products has been retained. New supply management programs will be allowed in accordance with the GATT.
- Both countries have agreed to work together to reduce or eliminate technical regulations and standards which interfere with Canada/U.S. agricultural trade, while recognizing the legitimate need for such regulations and standards to protect human, animal, and plant life.
- Both governments have also agreed to work together through the Multilateral Trade Negotiations of the GATT in pursuing the goal of eliminating all trade distorting agricultural subsidies.

Energy

Key provisions of the Agreement relating to energy cover crude oil and refined petroleum products, natural gas, ethane, propane, butane, coal, electricity, and some primary petrochemicals, such as ethylene.

- Both governments have agreed to prohibit most restrictions on energy exports and imports.
- Export restrictions may be imposed in four situations, as set out in the General Agreement on Tariffs and Trade (GATT): in times of shortage, to conserve finite resources, as part of a government price stabilization scheme, or for reasons of national security. If restrictions are imposed, Canada must make available to the U.S. the same proportion of resources purchased by U.S. companies over the preceding 36 months or any other time period that is agreeable to both countries.
- The Agreement provides a formal right of consultation when either party considers the energy regulatory actions of the other country to be discriminatory.
- Of particular benefit to Alberta, the Agreement allows for existing and future oil and gas exploration and development incentives in order to maintain the reserve base.

Alcoholic Beverages

The two governments will reduce, and where possible eliminate, barriers to trade in wine and distilled spirits. Such barriers may involve discriminatory mark-ups, listing, and distribution practices.

The Agreement does not require changes to beer distribution or beer retailing regulations and practices. However, any further changes to these practices must not have a greater discriminatory effect than at present. Both countries have also maintained their rights under the GATT with respect to existing measures affecting the pricing, listing, and distribution of beer.

Safeguards

During the 10-year transition period, if imports from the other country are a substantial cause of injury and market disruption in a particular industry, duty reductions provided by the Agreement may be suspended for up to three years. However, only one such action for each product may be taken.

Settlement of Trade Disputes

If requested, a bi-national dispute settlement panel will review final anti-dumping and countervailing duty decisions. This panel will determine if the investigating authority has correctly applied its domestic trade law. The decision of the panel will be binding on both Canada and the United States. There will be strict time limits on the appeal process.

A Canada/U.S. Trade Commission will review any future changes to either country's anti-dumping or countervailing duty laws to determine if they are consistent with the Free Trade Agreement and the GATT.

Disputes in matters other than dumping and countervail will also be resolved by this Trade Commission. Should consultations fail to resolve a dispute, a panel will examine the issue and make recommendations. If both countries agree, disputes may be subject to binding arbitration.

Over the next five to seven years, both countries will work towards negotiating new sets of rules governing anti-dumping and countervailing duties. These rules would replace U.S. trade law as it applies to Canada, and further enhance our access to the U.S. market.

THE NEW BUSINES

The primary purpose of the Free Trade Agreement is to clear away obstacles which stand in the path of trade between our two countries. While 75% of Canada/U.S. trade was duty free prior to January 1, 1989, high tariffs in such key areas as petrochemicals restricted exports, and non-tariff barriers in other areas hindered the growth of Alberta industries.

The elimination of tariffs and the reduction of non-tariff barriers creates a more dynamic business environment - a climate of opportunity for Alberta companies ready to become even more competitive and even more successful on an international scale.

As all businesses adjust to this new trade environment, we will see increased competition on both sides of the border. Some Alberta industries may face increased pressure from U.S. firms. At the same time they will benefit, as will all our industries, from increased and more secure access to the U.S. market and lower prices on materials imported from the U.S.

The benefits which are realized will largely depend on how well individual companies adjust to increased competition, and how swiftly they take advantage of the new opportunities. Simply reacting to change will not be enough. To emerge in a stronger and more competitive position, change must be anticipated and strategies developed to capitalize on new investment, production, distribution, and marketing opportunities.

MAJOR IMPACTS ON ALBERTA BUSINESS

- Reduced trade barriers will increase U.S. demand for our goods and services.
- In some areas, they may also lead to increased competition from U.S. firms.
- Removal of tariffs will mean lower costs for raw materials, inputs, and intermediate goods imported from the U.S.
- Alberta business will benefit from specialization and greater economies of scale.

S ENVIRONMENT

An Integrated Market of 270 Million People

By increasing our access to the U.S. market, the Free Trade Agreement creates an integrated market of 270 million people - 26 million in Canada and 244 million in the U.S. To take advantage of the new opportunities this expanded market creates, firms must now assess the situation and develop strategies within a North American context - and in some cases, even on a global scale.

Alberta companies which are new to international markets will find the language, currency, and infrastructure in the U.S. are familiar. As these firms gain experience in dealing within the U.S. market, they will acquire the capabilities and the expertise required to take advantage of export opportunities in other international markets.

Greater Predictability

In a number of industries, Alberta companies have been reluctant to pursue opportunities in the U.S. as there has been no measure of certainty governing trade rules, regulations, and practices. The possibility of new restrictions being imposed has often discouraged firms from expanding their marketing territories.

By establishing clear guidelines, the Free Trade Agreement provides a market environment that has a high degree of predictability. This degree of confidence is essential for Alberta companies to undertake the investment required in such areas as research and development, plant, equipment, and human resources.

Reduced Input Costs

Over the long term, the elimination of tariffs will lower the cost of intermediate goods imported from the U.S. by an average of 3.7%. Intermediate goods purchased from Canadian suppliers will also be lower in price because of reduced manufacturing costs for Canadian industry, competitive pricing, and larger scale production made possible by increased access to the U.S. market.

As a result, Alberta firms will be able to obtain their inputs at lower prices from both U.S. and Canadian suppliers. In turn, the business community will be able to market products more competitively in both domestic and international markets.

Larger Scale Production

With increased access to larger markets and reduced input costs, Alberta companies also have the ability to scale up production, and operate larger and more specialized plants.

The federal Department of Finance has estimated that average production costs in the manufacturing sector could be reduced by more than 3% if the potential cost savings of larger scale production are fully realized. The degree to which Alberta manufacturers achieve these cost reductions depends on the effectiveness of their production and marketing strategies.

Flexible Manufacturing

Some Alberta manufacturers may decide to specialize in shorter production runs or undertake flexible manufacturing. Rather than extending production runs in a few product lines, these firms may focus on meeting specific demands for specialty products in Canadian, U.S., and other international markets. In this "niche marketing" strategy, the quality of a product or service is generally more important than price competitiveness in determining success.

Enhanced Investment Opportunities

The Free Trade Agreement is expected to encourage substantial levels of new investment in Alberta as tariffs are eliminated, other trade barriers are removed, and investment flows become more liberalized.

An open, stable trading environment is essential to attract new investment. Equally important is long-range security of market access. With the Free Trade Agreement in place, investors have more confidence in Alberta, and will be more receptive to proposals presented by Alberta firms looking to upgrade operations, incorporate advanced technologies into production methods, develop new products, and penetrate new U.S. markets.

THE FTA WILL INCREASE INVESTMENT

- The FTA is expected to stimulate investment as firms upgrade and retool their plants in order to compete in a combined market of 270 million people.
- International investment in Alberta will increase significantly as a result of our secure access to the U.S. market.
- Domestic investment by Canadian-owned multinationals is also expected to increase.

Marketing Opportunities

When considered as a whole, the sheer size of the U.S. market may appear to pose an overwhelming marketing challenge for small and medium-sized Alberta companies, especially for first-time exporters.

To develop effective strategies, Alberta firms should view the United States as U.S. firms do - as being made up of a number of smaller, regional markets. Each of these regional markets presents distinct opportunities and challenges, and each is characterized by different competitive environments and distribution systems. Most importantly, each region has unique product, service, and technological needs.

Alberta businesses may also decide to market to specific demographic sectors, niche markets, or to pursue licensing arrangements and joint ventures with U.S. firms. After gaining a foothold in one market, businesses will be in a much stronger position to branch out into other areas.

UNITED STATES REGIONAL MARKETS *

1. **Pacific Northwest Region**
   (Washington, Oregon, Idaho, Alaska)
   Population - 9 million
   Total Personal Income - $163 billion

2. **California/Hawaii Region**
   Population - 28 million
   Total Personal Income - $638 billion

3. **Mountain Region**
   (Montana, Wyoming, Colorado, Utah, Nevada, Arizona, New Mexico)
   Population - 12 million
   Total Personal Income - $206 billion

4. **Upper Midwest Region**
   (North Dakota, South Dakota, Minnesota, Nebraska, Iowa, Kansas, Missouri)
   Population - 18 million
   Total Personal Income - $320 billion

5. **South-Central Region**
   (Oklahoma, Arkansas, Texas, Louisiana)
   Population - 27 million
   Total Personal Income - $433 billion

6. **Great Lakes Region**
   (Wisconsin, Michigan, Illinois, Indiana, Ohio)
   Population - 42 million
   Total Personal Income - $789 billion

7. **Southeast Region**
   (Kentucky, West Virginia, Virginia, Maryland, Delaware, District of Columbia, Tennessee, North Carolina, South Carolina, Mississippi, Alabama, Georgia, Florida)
   Population - 57 million
   Total Personal Income - $1,016 billion

8. **Northeast Region**
   (Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Pennsylvania)
   Population - 51 million
   Total Personal Income - $1,124 billion

* *Figures cited are for 1988 and are in Canadian dollars.*

Alberta's Transportation Advantage

A recent transportation study concluded that Alberta has a significant locational advantage in accessing both the western Canadian and U.S. markets. Among all the major distribution centres in Western Canada, Calgary and Edmonton were identified as providing the best access to both these markets.

Within the new environment created by the Free Trade Agreement, it is important that Alberta firms now review their transportation networks and distribution systems, assess them in light of new marketing strategies, and where necessary, restructure them to ensure they are both cost-effective and efficient.

Need for International Business Information

Increasingly, businesses competing in the U.S. and other international markets will find a need for timely, accurate, and effective business information. Much of this information is available through the Alberta and Federal Governments and some must be customized through independent sources. Businesses will need to create a market intelligence system to collect this information.

BUSINESS STRATE

At first glance, the challenge posed by the Free Trade Agreement may appear to be simply one of marketing. Maintaining your existing markets or expanding into potentially lucrative regions of the U.S. are the most visible corporate action areas. However, the changes ushered in by the Free Trade Agreement will create an entirely new environment for many Alberta businesses.

Meeting all the challenges presented by this new environment calls for careful review and the development of a long-range "free trade" strategy. Clearly, each industry faces a different challenge, as does each business. Increasingly, Alberta businesses will require accurate and up-to-the-minute information, and will need to create a comprehensive market intelligence system. This will be essential if Alberta business is to take full advantage of new and emerging trade, business development, and investment opportunities under the Free Trade Agreement.

Developing A Strategy

In establishing a marketing intelligence system and developing long-range plans to seize the opportunities presented by the Free Trade Agreement, you may wish to focus on one - or on an integrated combination - of corporate strategies which hold potential for your business:

- Diversifying markets - expanding from Alberta/Canada into the Pacific Northwest, Mountain, or other U.S. regions.
- Developing niche markets - targetting markets in specific geographic or demographic areas.
- Specializing production - shifting production away from a number of low volume products to a few high volume products.
- Reducing costs and improving efficiency - capitalizing on lower-priced inputs and higher volume production to increase competitiveness.
- Attracting new investment - upgrading and expanding plants to improve efficiency and become more competitive.

Key Questions for Business

Before determining such a competitive strategy, of course, it is essential to conduct a comprehensive analysis of all "free trade factors" and their impacts on your operations.

As a preliminary guideline, the following questions are presented to generate an understanding of the many areas in which the Free Trade Agreement may affect

your operations. While simplified, these questions provide a starting point in determining new directions and capitalizing on new opportunities created by the Agreement.

PRODUCTION

- When will my product qualify for duty free entry into the U.S.? Is it now duty free?
- What changes do I need to make to compete with U.S. competitors?
- How will my product prices change as tariffs decline?
- How does my quality and after-sales service compare with that of U.S. competitors?
- Should I specialize in a narrower range of products?

SUPPLIES

- Will my supplies and raw materials cost less as tariffs decline?
- Is lower-cost equipment and machinery available?

MARKETING

- Do I need to develop a new approach to marketing?
- Is a U.S. market open to me? Which region/s hold the most potential?
- What new competition can I expect to see in Alberta?
- How can I best expand my distribution system?
- Will changes in product standards allow faster and less costly access to U.S. markets?

MANAGEMENT

- Is management fully aware of the FTA and the challenges and opportunities it presents?
- How can I improve my company's export readiness?
- Do I need to upgrade the skills of my people?

PLANNING

- How can I improve purchasing, operational, and marketing capabilities?
- How can I improve productivity, product quality, and employee motivation?
- What new technologies might improve my competitiveness?
- Should I consider a joint venture, merger, or acquisition of a U.S. business or one in Canada?

MARKET IMPACTS

It would be impossible to predict with absolute accuracy the ultimate benefits of the Free Trade Agreement for Alberta business. However, general changes which will occur within the marketplace and opportunities which may arise from these changes may be identified with more certainty.

In determining these areas of opportunity, two factors have been taken into account. First is the nature of the sector or industry - where it stands today. Is the industry now export-oriented? Does it market to the U.S.? What factors affect its export performance? Its competitiveness?

Second is the effect of the Free Trade Agreement on a sector or industry. Do specific provisions affect the industry? If so, what changes may be expected to occur over the short term? The long term? Other provisions (those not necessarily relating directly to a specific industry) may also influence marketing trends for Alberta business. What impacts will these provisions have?

Based on detailed analysis of these factors, opportunities within each sector or industry have been defined and are outlined on the following pages. Each section includes a summary of this "situational analysis" and includes the following information:

- **Recent Export Results** - Appear within the graphic at the upper right-hand corner of each industry section and, where possible, show both total exports and exports to the U.S.
- **Sector or Industry Profiles** - Provide relevant information on the nature and profile of the industry.
- **Effects of the FTA** - Key effects are summarized for each sector and industry.
- **Opportunities Created by the FTA** - Both specific opportunities and general areas of potential for Alberta business are outlined within the text and are summarized in highlight panels.

AND OPPORTUNITIES

Exploring the Opportunity

Comprehensive as this information is, it simply provides a starting point for Alberta business in exploring the opportunities created by the FTA. Other areas of potential, beyond those identified here, may emerge during the coming months and over the years ahead.

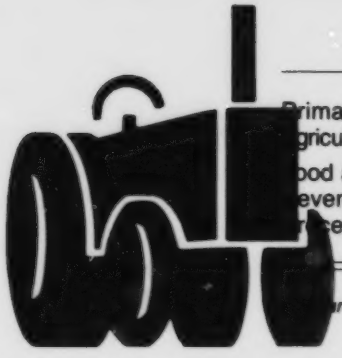
It will continue to be of utmost importance for Alberta business to remain attuned to changes in their industries, to be alert to shifts within this more dynamic marketplace, and to be prepared to seize these opportunities as they arise.

AGRICULTURE AND

Sector Profile

Long recognized as having one of the world's most productive agricultural economies, Alberta accounts for over 20% of total Canadian agricultural output despite having less than 10% of the country's population.

AGRICULTURE AND FOOD PROCESSING



	Farm Cash Receipts/ Value of Shipments ($ Million) •	Employment	Alberta Exports ($ Million) Total	U.S.
Primary Agriculture	4,398	90,000	1,820	374
Food and Beverage Processing	4,600	15,000	617	237

• Figures cited are for 1988

Alberta's agriculture and food sector:

- Is export-oriented - in light of relatively small Alberta and Canadian markets, about 50% of the value of primary production is exported in primary and processed forms.
- Exports primary products - wheat accounts for 44% of Alberta's agricultural exports, while barley accounts for 6% and canola accounts for 10%.
- Exports a growing volume of processed products - particularly to the U.S. Meat products represent 18% and canola products 11% of the value of agricultural exports. There is good potential to increase exports of these value-added products.
- Has tremendous production capacity - in both land and agricultural resources.
- Exhibits a high degree of market orientation - among its producers and processors.

Given Alberta's relatively small market base, finding out-of-province customers for our agriculture and food products is of prime importance. Annual out-of-province shipments average about $3 billion, over half of which are out-of-country exports.

FOOD PROCESSING

The U.S. continues to be Alberta's largest international customer. In 1988, $611 million, or about one-quarter of Alberta's agriculture and food exports, were destined for U.S. markets. Livestock and meat products represented the largest component of these exports. Other products that continue to enjoy success in the U.S. market include canola oil and meal, forage seeds, cattle hides, peat moss, and whiskey.

Effects of the FTA

The FTA provides greater market access, increased market opportunities and enhanced security of access. At the same time, it safeguards existing marketing systems, farm income stabilization programs and price support programs.

The removal of tariffs and the reduction or elimination of technical and other non-tariff barriers will enhance market opportunities and access. Although removal of Western Grain Transportation Act (WGTA) payments on agricultural goods sold to the U.S. through west coast ports may have some short term negative implications for certain segments of the sector, these producers should also benefit over the long term from the removal of tariffs and non-tariff barriers.

The majority of trade in farm inputs between the U.S. and Canada is already duty free. However, Alberta farmers should benefit from the elimination of remaining tariffs, such as those on specialized farm equipment, building materials and tools, antibiotics, and some feeds.

As well, the reduction of non-tariff barriers and increasing harmonization of technical regulations and standards involving chemicals, pesticides, feed, fertilizer, and seed should allow for a wider selection at competitive rates. Market opportunities arising from these changes will be primarily in fertilizers and feeds, an area where Alberta exporters have been selling into the U.S. market for a number of years.

LIVESTOCK & RED MEATS

(In $Millions)

Total	$442
U.S.	$387

Industry Profile

Alberta accounts for approximately 32% of Canadian cattle and calves, 15% of all hogs, and 27% of all sheep and lambs. On the processing side, meat and meat products constitute the largest single component of Alberta's food and beverage industry. Approximately 70 firms are involved in slaughter and meat packing. In 1988, exports, primarily to the U.S., were valued at $278 million for livestock and $109 million for red meats and processed meat products.

Effects of the FTA

The Agreement will create a business climate conducive to increased investment. Barriers to trade will be reduced or eliminated in the following ways:

- accepting the equivalence of export certificates
- working towards eliminating U.S. restrictions on importation of animals, embryos, animal products and by-products
- accepting equivalence for veterinary drugs
- eliminating beef import quotas (U.S. Meat Import Law)
- eliminating tariffs over ten years, and eliminating all customs user fees
- establishing an open border policy for meat inspection
- a likely move towards harmonized packaging, including nutrient requirements
- possible reduction in domestic trade distortions such as the grain pricing/ transportation system

Opportunities Created by the FTA

Alberta meat packers have a more positive marketing environment in the U.S. Opportunities are particularly strong in California and the Pacific Northwest.

The elimination of tariffs on value-added processed meats creates long term opportunities for industry expansion. There is also good potential to increase exports of top quality genetic material, a field in which Alberta is already competitive.

OPPORTUNITIES

Beef
Pork
Processed Meats
Cattle
Hogs
Livestock Genetics

DAIRY

AND POULTRY

ALBERTA EXPORTS

(In $Millions)

Total	$ .68
U.S.	$ .55

Industry Profile

Dairy products constitute the second largest component of the province's food and beverage industry. The total value of factory dairy products was estimated to exceed $500 million in 1987/88.

Alberta's poultry industry, which is under supply management, is comprised of about 300 commercial producers throughout the province with annual sales of approximately $140 million. Because of international commitments associated with the supply management system, exports of Alberta poultry products are not significant. Alberta and Canada are net importers of U.S. chicken breeding stock, fresh chicken, turkey, shell eggs for hatching, eggs in the shell, and powdered eggs.

Effects of the FTA

Although tariffs are being gradually phased out for all dairy and poultry products, the effects on Alberta's dairy, poultry, and egg producers will be minimal. It is expected that Alberta poultry exports to the U.S. will remain insignificant. Canadian global import quotas will reflect actual imports over the past five years. There will be no changes to the import quotas for dairy products. New products can be added to the import control list if imports threaten to cause injury to the supply management system.

Opportunities Created by the FTA

For Alberta producers who place an emphasis on quality, future opportunities may arise to increase poultry sales into the northern tier states. There may also be potential to export such specialty items as Cornish game hens and hatching eggs.

OPPORTUNITIES

Specialty Dairy and Poultry Products

GRAINS
OILSEEDS
AND THEIR
PRODUCTS

(In $Millions)

Total	$1,712
U.S.	$ 136

Industry Profile

Wheat production in 1988 amounted to just under 5.3 million tonnes, barley production to 5.8 million tonnes, and oats to 1.7 million tonnes. Canola exceeded 1.8 million tonnes, and now represents the fourth largest cultivated acreage in the province, after wheat, barley, and tame hay.

Effects of the FTA

The grain industry will not face quantitative restrictions on sales to the U.S. as long as support levels do not change significantly enough to distort trade.

The elimination of tariffs on grain and grain products, coupled with the removal of Canadian import permits, will facilitate market-sensitive pricing for both grains and processed products. An end to Canada's two-price wheat policy will place Alberta processors in a more competitive position with their U.S. counterparts.

Recognition by the U.S. of the term "canola oil" as being synonymous with "low erucic acid rapeseed oil" will provide the opportunity to greatly increase sales in the U.S. The elimination of tariffs will, over time, more than compensate for the removal of Western Grain Transportation Act rates for canola products moving through west coast ports to the U.S.

Opportunities Created by the FTA

Opportunities may arise for Alberta producers to expand grain sales into the U.S., especially for malting barley, feed barley, and high quality wheat. There is excellent potential to expand sales of high quality oats (pony oats) to the California and Texas markets, and to increase sales of milling oats to processing plants in the Midwest and parts of the U.S. west coast. For canola oil producers, opportunities include industrial markets, accounts servicing institutional and food service markets, and health food markets.

The Alberta flour milling industry has an opportunity to compete in the continental market by capitalizing on the quality of Canadian grains.

OPPORTUNITIES

- High Quality Wheat
- Oats
- Canola Oil and Meal
- Feed and Malting Barley
- Processed Grain Products

SPECIAL CROPS AND HORTICULTURAL PRODUCTS

ALBERTA EXPORTS
(In $Millions)

Total	$65
U.S.	$26

Industry Profile

The total value of Alberta's special crop exports to the U.S., including honey, pulses, forage seeds, and mustard seed, exceeded $26 million in 1988. Special crop production has been emphasized as one means of diversifying Alberta's agricultural base. The province is well-suited for special crop production, with good irrigated land and a high level of research capability and facilities. Seed potatoes have been the major Alberta horticultural export in recent years. Overall, however, Alberta remains a significant net importer of horticultural products.

Effects of the FTA

The FTA will benefit Alberta by removing all existing tariffs and a number of important non-tariff barriers such as staining requirements for alfalfa and clover seed exported to the U.S. Harmonization of technical standards and regulations will further assist the Alberta horticulture and special crops industries.

The horticulture industry in Alberta is not expected to be significantly impacted by the removal of tariffs. A special "snap-back" provision of the FTA which allows tariffs on fruits and vegetables to be re-imposed under certain conditions provides additional assurance.

Alberta-produced carrots, seed potatoes, onions, mushrooms, and cold-weather ornamental shrubs are generally competitive with U.S. products. The elimination of U.S. tariffs will have a positive impact on exports of these products.

Opportunities Created by the FTA

Alfalfa and clover seed producers have the opportunity to increase sales to U.S. markets. The harmonization of technical standards and regulations creates opportunities for Alberta horticultural producers to pursue market niches for seed potatoes, fresh vegetables, greenhouse vegetables and nursery stock, particularly in Montana, North Dakota, and Idaho.

OPPORTUNITIES

- Alfalfa Seed
- Clover Seed
- Onions
- Cold-Weather Ornamental Shrubs
- Carrots
- Seed Potatoes
- Mushrooms

PROCESSED FOODS

(In $Millions)

Total	$352
U.S.	$179

Industry Profile

Alberta's processed food industry is comprised of a diverse group of businesses and product types. Industries include meat processing, grain and oilseed processing, confectionary products, processed honey, vegetables, specialty products, and beverages. In terms of value-added and employment, agri-food processing is the province's largest manufacturing industry.

Effects of the FTA

The elimination of both tariff and non-tariff barriers will make Alberta products more competitive in the U.S. as well as in domestic markets. The majority of Alberta processors should benefit.

The removal of quantitative restrictions on products containing 10% or less sugar will be beneficial for the confectionary industry. However, as U.S. firms are typically large conglomerates with economies of scale and lower unit costs, Alberta companies will need to concentrate on high-end specialty items.

Opportunities Created by the FTA

Opportunities exist for Alberta food processors to develop niche markets in the U.S., especially in the Pacific Northwest states. In addition to upper-end confectionary products, potential exists to increase exports of such high-quality products as processed meats, processed honey, and specialty/convenience foods with strong appeal for health and value-conscious consumers.

OPPORTUNITIES

Processed Meats

Processed Honey

Specialty/Convenience Foods

ALCOHOLIC BEVERAGES

ALBERTA EXPORTS

(In $Millions)

Total	$21
U.S.	$18

Industry Profile

Alberta's alcoholic beverage industry includes breweries, distilleries, and wineries.

Two of Alberta's four wineries are branches of national operations. Almost all grapes and concentrate are imported from the U.S.

Of Alberta's three distillers, the two larger firms are cost-competitive in both the Canadian and U.S. markets for whiskies. In 1988, Alberta exports of spirits to the U.S., mainly whiskey, amounted to over $16 million.

Effects of the FTA

Under the FTA, the Alberta Liquor Control Board will not be allowed to discriminate against U.S. wines or spirits through listing, distribution, or pricing policies. Tariffs on alcoholic beverages will be eliminated over ten years and market access for wines and spirits will be expanded. As a result, Alberta wineries will have to compete on both quality and price, where competition previously centred on price.

Both countries will recognize U.S. bourbon whiskey and Canadian whiskey as distinctive products.

The FTA does not require changes to the Canadian brewing industry. However, future changes to liquor board practices must not further discriminate against U.S. beer.

Opportunities Created by the FTA

In the short term, Alberta distillers who are already cost-competitive in both the Canadian and U.S. markets have good opportunities to increase exports of their products, especially whiskies.

OPPORTUNITIES

Potential for increased Canadian whiskey exports

ENERGY PRODUCTS

Sector Profile

Energy resource production, the largest sector of the Alberta economy, comprises crude petroleum, refined petroleum products, natural gas, natural gas liquids, sulphur, coal, and electricity. Alberta accounts for about 82% of Canadian crude oil production and 87% of Canadian natural gas production.

The energy sector has been a dynamic force in the development of the Canadian and Alberta economies. The U.S. export market has been critical in this development. Exports of crude oil and natural gas constitute Alberta's largest commodity exports to the U.S.

ENERGY PRODUCTS

	Industry Revenues ($ Million)*	Employment	Alberta Exports ($ Million) Total	U.S.
Crude Oil	8,369	45,000**	3,100	3,052
Refined Products	2,700	n/a	103	96
Natural Gas	4,785	n/a	2,754	2,754
Natural Gas By-Products	1,467	n/a	1,200	495
Coal	504	n/a	429	6
Electricity	1,600	5,000	10	10

* *Figures cited are for 1988*

** *Includes employment from primary oil and gas producers, plus refined petroleum production.*

Canada's bilateral energy trade with the U.S. in 1987 exceeded $12 billion. Canada exported over $10 billion worth of energy products to the U.S., primarily crude oil and oil products, natural gas, electricity, and uranium. Canada imported about $2 billion worth of energy products from the U.S., consisting mainly of coal, oil, and refined products.

Few restrictions to energy trade currently exist. No Canadian or U.S. tariffs apply to natural gas, sulphur, or coal, although relatively small U.S. tariffs existed on crude oil and refined petroleum products prior to the FTA.

Effects of the FTA

Over the short term, Alberta producers will benefit from the elimination of U.S. tariffs and customs user fees on crude oil and refined petroleum products.

Over the medium and longer term, the indirect benefits are expected to be significant. The major benefit of the FTA is that it reinforces the commitment made by both governments to deregulate oil and gas markets. This commitment is expected to enhance investor and industry confidence.

Export opportunities for crude oil are strengthened by the fact that the FTA prohibits the U.S. from imposing an import tax on Canadian oil. Enhanced access to U.S. markets for Canadian energy exports and the protection of existing and future incentives for energy exploration and development will further enhance investor confidence.

Canada and the U.S. have also agreed to provide national treatment with respect to future regulation of each other's investors.

Under the FTA, the Federal Government's acquisition policy for the oil and gas sector has been "grandfathered" or protected. However, the federal policy cannot be made any more restrictive than the policy that was in place in October 1987. This provision will instill confidence in international interests considering investing in the Canadian oil and gas sector.

CRUDE OIL/ REFINED PRODUCTS

ALBERTA EXPORTS

(In $Millions)

	Crude Oil	Refined Products
Total	$3,100	$103
U.S.	$3,052	$ 96

Industry Profile

Alberta accounts for about 82% of Canadian crude oil production and 21% of the production of refined petroleum products.

The deregulation of Canadian oil markets and the removal of Canadian export constraints in recent years have provided a freer market environment for crude oil.

Effects of the FTA

The short term impact will be the removal of relatively low U.S. tariffs, eliminated in five equal annual steps. The first 20% reduction took place on January 1, 1989. The 0.17% U.S. customs user fee will be completely eliminated by January 1, 1994.

The removal of U.S. tariffs is expected to increase revenues to Canadian producers by up to $16 million annually in crude oil, and by at least $10 million annually in refined product exports (based on 1987 trade flows). The elimination of the customs user fee will increase oil revenues by a further $10 million per year. These benefits will accrue mainly to Alberta producers.

By enhancing market access to the U.S., reducing the likelihood of intervention in the market, and ensuring that the Federal Government's regulation of foreign investment in the energy sector will not be made more restrictive, the FTA addresses three factors which influence investment decisions. This should have a positive impact on future investment in the oil and gas industry.

Opportunities Created by the FTA

The FTA has secured export markets for crude oil and is expected to generate increased investment in conventional oil exploration and development. The FTA also improves long-range prospects for such ventures as large-scale oil sands projects and makes investment opportunities more attractive.

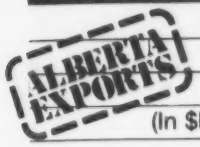
OPPORTUNITIES

More Secure Export Markets for Crude Oil

Conventional Oil Exploration/ Development

Improved Prospects for Oil Sands Projects

NATURAL GAS



(In $Millions)

Total	$2,754
U.S.	$2,754

Industry Profile

Alberta accounts for 87% of Canadian natural gas production. The U.S. is Canada's only gas export market, and Canada's share of the U.S. market has fluctuated around 5% over the last 20 years.

The deregulation of gas markets in the U.S. and Canada resulted in record export volumes in the last two years as pipeline capacity became fully utilized. Further increases in exports require investment in pipeline capacity expansion projects.

Effects of the FTA

The FTA is not expected to lead to any structural changes in the Alberta natural gas industry beyond what is occurring as a result of deregulation. Overall, the FTA should reduce the likelihood of government intervention in the gas market and reduce U.S. perceptions of supply risk. This should support the expansion of the industry that is expected as a result of deregulation and further integration of the North American gas market.

The FTA establishes a formal right of consultation with respect to decisions made by Canadian and U.S. energy regulatory agencies. This will provide a process for addressing future regulatory decisions and provide a deterrent against discriminatory regulatory actions which might single out and disadvantage Canadian gas exports.

Opportunities Created by the FTA

Export opportunities for natural gas may be strengthened by the fact that the FTA provides greater security of access to U.S. markets. The potential for increased exports creates a positive climate for new investment in gas exploration and development, and may lead to pipeline expansion projects. In 1988, export pipelines approached or reached capacity. As a result, considerable interest in expansion of capacity has arisen, primarily for the Northeast U.S. and California markets, and also for the Midwest market.

OPPORTUNITIES

Potential for increased natural gas exports

New investment in gas exploration and development

NATURAL GAS BY-PRODUCTS (LIQUIDS AND SULPHUR)

ALBERTA EXPORTS

(In $Millions)

Total	$1,200
U.S.	$ 495

Industry Profile

Alberta accounts for 83% of the propane and 75% of the butane output in Canada. In 1988, Alberta produced 37 million barrels of propane and 25 million barrels of butane, valued in the field at $312 million and $282 million respectively.

Approximately 60% of the propane and butane production was exported to the U.S. The U.S. is a net importer of these two products and in recent years has relied upon Canadian producers to satisfy the majority of its imports.

Alberta also produces most of Canada's sulphur and is a major participant in the world sulphur trade. In 1988, production was an estimated 5.6 million tonnes which represented approximately 90% of total Canadian production. While the U.S. is an important buyer of Canadian sulphur, 85% of Canadian exports in 1988 went to other countries.

Effects of the FTA

The FTA is not expected to have any direct effect on trade in natural gas liquids or sulphur since there are currently no U.S. tariffs on these products. The FTA will, however, ensure that the current unrestricted trade conditions continue.

Opportunities Created by the FTA

The FTA creates a more secure environment for increased investment in gas production and processing operations.

OPPORTUNITIES

Investment in gas production and processing

COAL

ALBERTA EXPORTS

(In $Millions)

Total	$429
U.S.	$ 6

Industry Profile

The production of marketable coal in Alberta in 1988 amounted to 29.3 million tonnes, an increase of 14% over 1987. Consumption of sub-bituminous coal for electricity generation in Alberta accounted for about two-thirds of the total production. The remaining production included an estimated 5.9 million tonnes of metallurgical coal, almost all of which was exported (mainly to Japan), and an estimated 3.7 million tonnes of thermal coal, over half of which was sold to Ontario Hydro.

While the Canadian share of the metallurgical coal export market is about 20%, Alberta's share of international thermal coal trade is negligible.

Effects of the FTA

The FTA will ensure that the current unrestricted trade conditions will continue. However, because the U.S. is a large coal producer, exports to the U.S. are not expected to increase significantly.

Opportunities Created by the FTA

The removal of tariffs on mining machinery should reduce capital costs and make Alberta coal more competitive in all markets. This will have a positive effect on producers exploring opportunities to capitalize on the increased demand for thermal coal in Alberta and Ontario, expected to arise from increased economic activity and electric energy requirements.

OPPORTUNITIES

Alberta Coal More Competitive

Increased Domestic Demand for Thermal Coal

ELECTRICITY

(In $Millions)

Total	$10
U.S.	$10

Industry Profile

Almost all the electricity generated in Alberta is consumed in the province. Currently, there are small net exports to the U.S., amounting to about 1.4% of annual power generated, through a transmission "intertie" with British Columbia.

The possibility of increased exports of electricity depends on having access to transmission lines, as well as on the cost advantage of Alberta coal-fired power.

Effects of the FTA

Under the FTA, the Bonneville Power Administration in the U.S. is required to modify its Intertie Access Policy. This is intended to provide British Columbia Hydro with treatment comparable to that provided to U.S. utilities located outside the U.S. Pacific Northwest.

Opportunities Created by the FTA

To the extent that there may be increased export opportunities for British Columbia Hydro, there may be opportunities for Alberta to participate through sales of power to British Columbia. There is also the longer term possibility of exports to California, based on the complementary nature of hydro capacity in British Columbia and coal-fired generation in Alberta.

OPPORTUNITIES

Possibility of exports to the U.S. Pacific Northwest and California

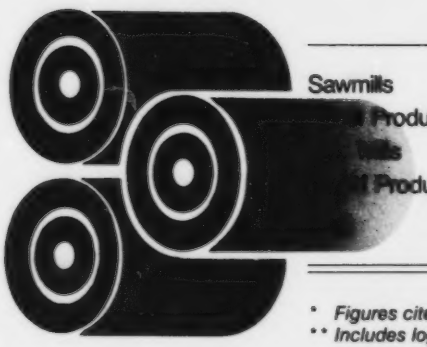
FOREST PRODUCTS

Sector Profile

Total investment in new pulp, paper, and lumber projects announced within the past two years amounts to over $3.4 billion. Major developments, including the world's largest single-line pulp mill, will see the forest industry become a dynamic part of the Alberta economy and set the stage for a second wave of investment in manufacturing and value-added operations. With tremendous prospects for growth, the sector represents a key component in Alberta's drive toward continued economic diversification.

The sector makes a significant contribution to the provincial economy. Over 12,000 people are directly employed in the industry, with most of the facilities located in small rural communities in western and northern Alberta. Combined, Alberta primary and secondary forest products industry revenues amount to approximately $1.2 billion.

FOREST PRODUCTS



	Industry Revenues ($ Million)*	Employment	Alberta Exports ($ Million) Total	U.S.
Sawmills	320	7,400**	260	182
Products	300	1,000	177	150
	410	1,600	372	365
Products	200	2,000	14	12
	1,230	12,000	823	709

* *Figures cited are for 1987/88*
** *Includes logging*

Effects of the FTA

Exports to the U.S. are expected to remain strong. Generally, pulp products do not face U.S. trade restrictions. Tariff restrictions on the remaining products will be eliminated over five to ten years. The 1986 Softwood Lumber Memorandum of Understanding (MOU), which requires Canada to collect an export tax on Canadian softwood exports to the U.S., is specifically "grandfathered" by the FTA.

SAWMILLS

(In $Millions)

Total	$260
U.S.	$182

Industry Profile

Alberta has 250 sawmill facilities, most of which are located in northern Alberta. The industry is very competitive with U.S. producers. Currently, it has the lowest delivered wood costs of any region in Canada and exports more than 50% of its production to the U.S. market.

Effects of the FTA

As a result of the MOU on Softwood Lumber, Canada/U.S. trade in dimension lumber and boards remains duty free. The MOU provides for a 15% Canadian export tax on Alberta lumber exports to the U.S. The "grandfathering" of the MOU in the Free Trade Agreement suggests that the direct impact of the FTA on the sawmill industry will be minimal.

Indirect benefits will be driven by increases in residential, industrial, and commercial construction activities in Canada and the U.S.

Opportunities Created by the FTA

The FTA will enhance opportunities for Alberta sawmills to market value-added specialty products in the U.S. These products are not affected by the Memorandum of Understanding.

The U.S. dimension lumber markets will remain important to the industry.

OPPORTUNITIES

Value-Added
Specialty Products

PANEL PRODUCTS

(In $Millions)

Total	$177
U.S.	$150

Industry Profile

Alberta produces five major panel products: plywood, oriented strandboard, medium density fiberboard, insulation board, and construction paper. As the major market for panel products lies in residential construction and remodelling/repairs, the indusry is vulnerable to cyclical swings in the economy.

Given the high tariff rates of 20% into the U.S. and 15% into Canada, trade in plywood has been limited.

Oriented strandboard is increasingly being used as a low-cost, high-quality substitute for plywood in the U.S. Approximately 85% of Alberta oriented strandboard production is exported to the U.S.

The application of advanced technology and the abundance of Alberta forest resources have resulted in an extremely competitive Alberta industry for oriented strandboard and fiberboard products.

Effects of the FTA

The FTA provides for the elimination of tariffs on panel products once Canada and the U.S. have agreed on performance standards for various grades of plywood. This has been the subject of ongoing negotiations between the two countries and an agreement had not been reached as of June 1, 1989. Until that agreement is reached, tariffs on panel products are likely to remain at their present levels.

Once the tariffs are reduced, the U.S. market will be expanded significantly for plywood producers in the province and made more profitable for other Alberta panel products. Modernization of some plants may be required to ensure Alberta producers are competitive in the U.S.

Opportunities Created by the FTA

The FTA will create greater potential for Alberta companies to increase production and export sales of panel products. In particular, opportunities are strong for oriented strandboard for residential construction, remodelling and repairs, and medium density fiberboard for furniture.

OPPORTUNITIES

Oriented Strandboard for Construction Remodelling/Repairs

Medium Density Fiberboard for Furniture

Plywood

PULP AND PAPER MILLS

(In $Millions)

Total	$372
U.S.	$365

Industry Profile

Alberta exports virtually all of its pulp production to the U.S. Currently, the province has three pulp mills in operation. Additional new pulp mills and expansions, scheduled to come on stream over the next three years, will more than double export volumes to the U.S.

Effects of the FTA

As trade in pulp has not faced trade restrictions, the direct effects of the FTA will be negligible.

However, with more secure access to the U.S. market, the FTA creates a positive environment for new investment.

Opportunities Created by the FTA

Based on sales to both Canadian and U.S. markets, there is good potential for new investment in Alberta-based plants to produce fine paper, light weight coated publication paper, and other paper products.

As Alberta's pulp industry is already competitive and export-oriented, new capacity additions coming on stream in the next few years are expected to lead to increased exports to the U.S. The FTA is expected to enhance the development of these projects.

OPPORTUNITIES

Expanded investment potential for fine paper, lightweight coated publication paper and other paper products

Enhanced development of new capacity addition projects leading to increased exports to the U.S.

WOOD PRODUCTS

(In $Millions)

Total	$14
U.S.	$12

Industry Profile

This industry is comprised of firms manufacturing wood products such as prefabricated wooden buildings, wooden doors, windows, cabinets, trusses, moldings, other millworks, wooden boxes, and treated wood products. Most firms are small-scale operations which serve the local market. Very few firms currently export to the U.S.

The industry is cyclical, as it depends to a great extent on residential and commercial construction activities. With the current market trend towards more wood products in commercial construction, this market is expected to continue to expand.

Effects of the FTA

Although Alberta manufacturers already have reasonable access to the U.S. market, the freer trading conditions under the FTA will give them an additional incentive to make the required production and marketing adjustments to capitalize on the opportunities.

Alberta producers will be in a position to build on their market niches in the U.S., either by specializing in a product targetted to a specific market segment, or by focusing on products in the higher-price ranges, where design and quality are more important than cost.

Opportunities Created by the FTA

Export opportunities will be strongest for those wood products with higher value-added. The industry also has the opportunity to develop niche markets for ready-to-assemble furniture, millwork products for repairs and remodelling, and other value-added specialty products.

OPPORTUNITIES

Ready-to-assemble furniture

Millwork products for repairs/remodelling

Other value-added specialty products

INDUSTRIAL AND C

Sector Profile

The industrial and consumer products sector includes manufacturing and processing industries which are not directly tied to the advanced technology sector or to the upgrading of resources in agriculture, energy, or forestry.

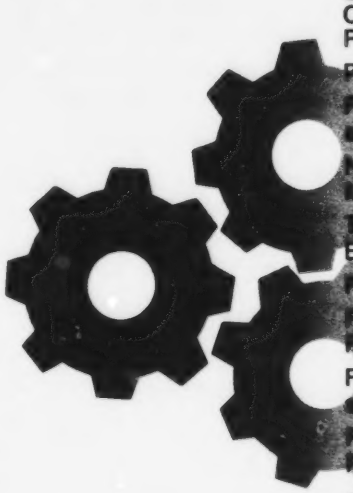
Effects of the FTA

Industrial Products: All industrial product industries will see increased opportunities arising from the FTA. The chemical and chemical products industry, which is largely export-oriented, is expected to benefit the most from the elimination of U.S. tariffs. In particular, construction of a proposed world-scale ethylene plant and its associated derivative plants would represent approximately $2 billion in new investment, create 7,400 worker-years of employment during construction and 2,000 jobs when fully operational. While a number of factors will determine whether or not the project goes ahead, the FTA improves the climate for this type of investment.

Consumer Products: Alberta's consumer product manufacturers tend to be oriented more toward serving the local or regional market. At the same time, a number of companies have been very successful in developing sales for a wide variety of well-designed, high-quality products in the U.S. market. The Free Trade Agreement is therefore expected to increase exports to the U.S. in particular niche markets.

ONSUMER PRODUCTS

INDUSTRIAL AND CONSUMER PRODUCTS



	Industry Revenues ($ Million)*	Employment	Alberta Exports ($ Million) Total	U.S.
Chemical and Chemical Products	3,430	6,150	1,850	1,024
Primary Metals	1,197	5,000	64	27
Fabricated Metals and Machinery	1,886	14,300	190	106
Non-Metallic Mineral Products	616	4,400	30	11
Transportation Equipment	200	2,000	63	39
Plastics	316	4,000	25	22
Printing and Publishing	723	13,000	28	28
Fashion, Apparel, and Leather Goods	130	3,000	6	5
Furniture and Fixtures	130	1,900	15	15
TOTAL	8,628	53,750	2,271	1,277

* *Figures cited are for 1988*

CHEMICAL AND CHEMICAL PRODUCTS

ALBERTA EXPORTS

(In $Millions)

Total	$1,850
U.S.	$1,024

Industry Profile

Alberta's chemical and chemical products industry is comprised of three sub-sectors.

- **Petrochemicals and Chemical Fertilizers** - 80% of total shipments.

  Over 50% of Canada's petrochemical and chemical fertilizer industry is located in Alberta. Alberta production of these chemicals far exceeds domestic demand. As a result, Alberta producers export a significant portion of their output to the U.S. and other international markets.

- **Industrial Inorganic Chemicals** - 15% of total shipments.

  The inorganic chemical industry produces a wide range of "commodity" chemicals for use in major industries such as pulp and paper, mining, and petroleum refining. Less than 10% of output is exported, with most sales in Western Canada.

- **Organic and Specialty Chemicals** - 5% of total shipments.

  A number of small-scale producers manufacture a wide range of products, including pharmaceutical chemicals, paints and varnishes, soaps, and rust inhibitors.

Effects of the FTA

Under the Free Trade Agreement, both countries will eliminate all remaining tariffs on chemicals and chemical products over the next five years. The first 20% reduction was implemented on January 1, 1989, and by January 1, 1993, all bilateral trade in chemicals will be duty free.

In those U.S. markets where Alberta petrochemical producers are already competing successfully, the elimination of U.S. tariffs should further enhance the competitiveness of Alberta suppliers. Tariff elimination will also enable Alberta producers to increase their penetration of the U.S. market in areas where they have not previously been competitive.

As Canada/U.S. trade in nitrogen-based fertilizers is already duty free, the FTA is not expected to have a significant impact on Alberta's fertilizer industry.

The tariff reductions agreed to under the General Agreement on Tariffs and Trade (GATT) have already placed as much as 75% of inorganic chemical production in a free trade environment. Since trade in these chemicals is restricted somewhat by their relatively high transportation costs, the FTA is not expected to have a significant impact on these producers.

Alberta producers of pharmaceutical chemicals will continue to meet limited demands for high value specialty products in Canadian, U.S., and other international markets. Over the short term, the FTA should not have a significant impact on these operations.

Opportunities Created by the FTA

The Free Trade Agreement is expected to further improve the competitiveness of Alberta's petrochemical producers, an advantage which will be maintained through Alberta's new ethane policy which assures a competitively-priced ethane feedstock. Opportunities for expanded production and increased exports are particularly strong for methanol, polyethylene, ethylene glycol, styrene, polyvinyl chloride, and vinyl chloride.

The elimination of U.S. tariffs may also create opportunities for Alberta-based production of petrochemical products not currently manufactured in Alberta. The FTA could lead to new investment in plants and equipment to produce such products as:

- high-density polyethylene;
- higher olefins;
- propylene, polypropylene, and propylene glycol;
- methyl tertiary butyl ether (MTBE); and
- caprolactan.

OPPORTUNITIES

Methanol
Polyethylene
Ethylene Glycol
Styrene
Polyvinyl Chloride
Vinyl Chloride

PRIMARY METALS

ALBERTA EXPORTS

(In $Millions)

Total	$64
U.S.	$27

Industry Profile

The primary metals industry in Alberta consists of a relatively small number of firms engaged in the production of iron and steel. The province's only non-ferrous metal manufacturer refines nickel, nickel alloys, and cobalt. Primary exports include oil country tubular goods (pipeline and well casing), structural steel, nickel, and nickel products. Exports accounted for about 5% of total sales in 1988.

Effects of the FTA

The net effect of the Free Trade Agreement on the primary metals industry is expected to be negligible as, with the exception of oil country tubular goods, tariffs are not a significant barrier to trade.

While some opportunities may arise for the primary steel industry, distance to major centres in the U.S. will continue to be a limiting factor in developing new markets.

Opportunities Created by the FTA

Alberta iron and steel producers are geared toward supplying the oil and gas industry, either directly with oil country tubular goods or indirectly by supplying primary shape steel to local metal fabricators. By eliminating tariffs, the FTA expands the opportunities for exports of oil country tubular goods, including pipeline, well casing, and drill pipe. Tariff elimination is also expected to improve margins on the sale of nickel and nickel alloy products produced in Alberta.

OPPORTUNITIES

Oil country tubular goods

- oil and gas pipeline
- well casing
- drill pipe

Nickel and nickel alloy products

FABRICATED METALS AND MACHINERY

ALBERTA EXPORTS

(In $Millions)

Total	$190
U.S.	$106

Industry Profile

Firms in this industry manufacture oil and gasfield equipment, construction materials and equipment, agricultural implements, and manufacturing, mining, and forestry equipment. The oil and gasfield equipment industry accounts for over 60% of total production, followed by construction, agriculture, and other resource industry suppliers.

Oil and gasfield equipment manufacturers and agricultural implement manufacturers have developed significant export markets for their products, while most other firms are oriented toward the local market.

Effects of the FTA

As tariffs and customs user fees are eliminated and business access to the U.S. for sales and after-sales service improves, the potential exists for exports to increase significantly.

Opportunities Created by the FTA

The Free Trade Agreement is expected to create or expand market opportunities in the U.S. for products such as oil and gasfield equipment, valves and fittings, rock drill bits, pre-fabricated metal buildings and structures, plus other oil and gas production and exploration equipment. In addition, firms will benefit from increased economic activity in the province.

OPPORTUNITIES

- Oil and Gasfield Equipment
- Rock Drill Bits
- Valves and Fittings
- Pre-Fabricated Metal Buildings

NON-METALLIC MINERALS

(In $Millions)

Total	$30
U.S.	$11

Industry Profile

Non-metallic mineral goods include clay products, hydraulic cement, concrete products, ready-mix concrete, glass and glass products, gypsum, and insulating products. Most of the 150 operations in Alberta manufacture cement and cement products.

Effects of the FTA

The Free Trade Agreement eliminates tariffs on most products in this sector over a five-year period, except for gypsum wallboard and fiberglass insulation. Tariffs on these products will be phased out over 10 years.

Opportunities Created by the FTA

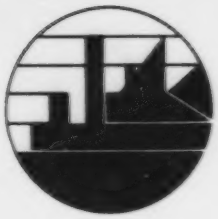
Most firms in Alberta are expected to benefit indirectly from the FTA through an improved economic climate and an increased level of construction activity in the province.

Alberta businesses may have new opportunities to export cement to border states. Opportunities may also arise for exports of such specialized products as architectural and pre-stressed concrete products.

In the future, there may be opportunities for increased cement exports as a result of improved access to U.S. government contracts, including highway projects.

OPPORTUNITIES

- Increased exports of cement
- Increased exports of specialized products such as architectural and pre-stressed concrete products



TRANSPORTATION EQUIPMENT

ALBERTA EXPORTS

(In $Millions)

Total	$63
U.S.	$39

Industry Profile

The industry manufactures products in a number of areas including motor vehicle, rail, and aircraft and component parts. The largest sector produces motor vehicle parts and components for offroad vehicles and truck trailers. While most firms have been established to meet specific Western Canadian transportation needs, a few firms, particularly in the aviation sector, have been successful in penetrating markets in the U.S. and overseas.

Effects of the FTA

Effects of the FTA vary among the different sectors of the industry. The motor vehicle and components segment has a 10-year period in which to adjust to tariff reductions. The railway parts industry will also find some adjustments necessary. In contrast, aircraft components manufacturers will experience no effects as the sector is already tariff-free and export-oriented.

Opportunities Created by the FTA

Industries which are already export-oriented will find their position strengthened by improved access to the U.S. market. Potential niche market opportunities for Alberta manufacturers include commercial truck trailers and semi-trailers, housing and camping trailers, and custom-designed horse trailers.

OPPORTUNITIES

Commercial truck trailers and semi-trailers

Housing and camping trailers

Custom designed horse trailers

PLASTICS

(In $Millions)

Total	$25
U.S.	$22

Industry Profile

While small, Alberta's plastics industry is experiencing rapid growth. Over 25 new projects or expansions are planned for 1989, representing some $95 million in new investment. Major inroads have already been made in packaging materials, with Alberta firms producing a wide range of products including grocery and garbage bags, polyethylene film sheeting for food packaging, and plastic bottles and containers used for beverages and petroleum products.

Effects of the FTA

Over the next 10 years, the Free Trade Agreement will eliminate U.S. tariffs, which have ranged from 3% to 6%. The FTA has the potential to significantly increase output and employment in this industry. Capitalizing on opportunities will require increased export marketing efforts and, in some cases, technological improvements and modifications.

Opportunities Created by the FTA

Opportunities include foamed and expanded products for the transportation equipment industry, tanks and containers for the agriculture and oil and gas industries, polyvinyl chloride (PVC) products, and plastic bottles and containers.

OPPORTUNITIES

Foamed and Expanded Products

Tanks and Containers

PVC Products

Plastic Bottles and Containers

PRINTING AND PUBLISHING

(In $Millions)

Total	$28
U.S.	$28

Industry Profile

Alberta's printing and publishing companies employ more than 13,000 people and have annual shipments valued at approximately $723 million. The three main components of the printing and publishing industry in Alberta are commercial printers, integrated companies, and publishing houses.

Effects of the FTA

Overall, estimates for the long term effects of the FTA on the industry are positive, with output and employment expanding as a result of increased economic activity in the province.

The FTA will eliminate tariffs on printed products over ten years, and will eliminate the U.S. embargo on lottery materials. The FTA also specifies that "cultural industries" involved in the publication, distribution, or sale of books, magazines, periodicals, or newspapers are exempt from the Agreement.

Opportunities Created by the FTA

Alberta companies are generally very efficient in shorter run customized printing jobs, and achieve quick turn around times. Given the expertise of personnel and the high service standards of Alberta firms, these operations have an opportunity to be competitive in the U.S. In addition, the U.S. embargo on lottery tickets will be removed by 1993. This may create a new area of opportunity for Alberta-based commercial printers.

OPPORTUNITIES

Niche Market Development

Customized Printing Jobs

Lottery Materials

FASHION APPAREL AND LEATHER GOODS

ALBERTA EXPORTS

(In $Millions)

Total	$ 6
U.S.	$ 5

Industry Profile

Alberta's fashion, apparel, and leather goods industry produces a wide variety of skiwear, western wear, high fashion, and leather products. Exports of these products are valued at approximately $6 million annually.

Effects of the FTA

All tariffs on clothing and textiles will be removed over ten years. Clothing made from third country imports of fabric will qualify for duty free entry into the U.S. up to specified amounts. Over and above these amounts, products made from third country fabrics and exported to the U.S. will not qualify for duty free entry, but will be eligible for duty drawbacks.

U.S. tariffs on leather boots, gloves, and other leather fashions and products will also be eliminated over a ten-year period.

Opportunities Created by the FTA

As U.S. tariffs are eliminated, Alberta firms will be able to penetrate markets more easily in western North America where demand exists for Canadian-made clothing including ski wear, high fashion and western wear, as well as leather garments, gloves, and boots.

It is anticipated that the elimination of the U.S. tariff on Canadian-made saddles, belts, grooming equipment, and tack will create significant opportunities for manufacturers in Alberta's equine industry.

Through lower input costs, Alberta clothing manufacturers will also become more competitive in central Canadian markets.

With expanded and more secure access to the U.S. market, the Alberta industry is also expected to attract new investment.

OPPORTUNITIES

Expanded Production of Skiwear, Western Wear, and High Fashion

Greater Penetration of the U.S. Market for Leather Fashions and Products

Equine Products

FURNITURE AND FIXTURES

ALBERTA EXPORTS

(In $Millions)

Total	$ 15
U.S.	$ 15

Industry Profile

The furniture and fixtures industry is comprised of three main segments: household, office, and other furniture and fixtures. Exports account for 15% of total sales.

Effects of the FTA

Tariffs on furniture and fixtures are being removed over a five-year period. The first reduction of 20% took place on January 1, 1989. Tariffs on mattresses and textiles are being eliminated over a 10-year period, with the first 10% reduction taking effect January 1, 1989.

Tariff reductions will improve the competitiveness of Alberta manufacturers in the U.S. market. Tariffs on supplies sourced in the U.S. are also being eliminated, lowering the costs of production for Alberta firms.

Some Alberta office furniture manufacturers have already begun to export to the U.S. as a result of the improved and more secure access created by the FTA.

Opportunities Created by the FTA

There may be opportunities for increased exports of office and household furniture in some U.S. markets, as economies of scale and price are often not as important as design, quality, and service.

In addition, provisions of the FTA on government procurement practices may lead to new opportunities for Alberta-based office furniture manufacturers.

Plastic furniture and fixtures represent another area of potential opportunity for Alberta manufacturers.

OPPORTUNITIES

Office and Household Furniture

Plastic Furniture and Fixtures

THE CONSTRUCTIO

Industry Profile

Alberta's construction industry consists of two major segments:

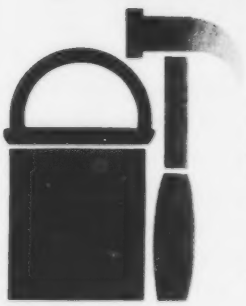
- **Engineering Construction** - roads/highways, water and sewer, dams and irrigation, electric power, oil and gas, and railways.
- **Building Construction** - residential, industrial, commercial, and institutional.

The industry is comprised of several larger firms capable of handling large-scale projects, plus many smaller firms, primarily in the specialty trades.

Of some 1,460 firms, approximately 85% are in these specialty trades which include carpenters, plumbers, and electricians. Approximately 13% are general contractors, and another 2% are engineering contractors.

The performance of the construction industry reflects the general economic activity in the province. The decline in major project development in Alberta during the early 1980s, and related drop in building construction activity, resulted in a significant consolidation within the industry in Alberta.

ALBERTA CONSTRUCTION INDUSTRY



	Industry Revenues ($ Million)	Employment
Engineering Construction	3,100	
Building Construction	4,400	
TOTAL	7,500	73,000 (combined)

N INDUSTRY

Effects of the FTA

The Free Trade Agreement is expected to have little direct impact on construction firms in Alberta as there are few existing trade barriers in the industry. U.S. competition in Canada is most often through subsidiaries. Very few Alberta-based companies operate in the U.S.

Direct effects of the FTA include reduced threshold levels on federal government contracts open to competitive bidding, improved temporary access for business persons, and removal of tariffs on construction materials and equipment.

Most of the FTA's impact on the construction industry will be indirect, as construction activity in Alberta is driven by investment and the overall level of economic activity in the province.

Opportunities Created by the FTA

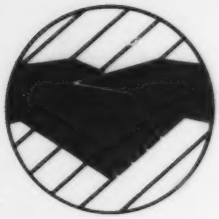
The temporary access provisions in the FTA will make it easier for project managers, engineers, architects, and other professionals to gain entry into the United States to work on projects.

Alberta engineering and building construction firms will find this facilitates their involvement in U.S. projects, and will also result in enhanced opportunities to market cold weather technologies and expertise to U.S. contractors, particularly in the northern states and Alaska.

OPPORTUNITIES

Cold Weather Technologies and Expertise

Easier Access for Business Persons (will facilitate participation in U.S. projects)



THE SERVICE SECT

Sector Profile

The service sector is a major component of the Alberta economy, accounting for approximately 60% of the province's Gross Domestic Product (GDP) and more than 70% of total provincial employment. All market-based services will see increases in output and employment as a result of the Free Trade Agreement. While exports represent a small portion of total revenues in the service sector, the level of service exports is expected to grow significantly in the future. As services contribute to the productivity and competitiveness of goods-producing industries, they are considered critical to the development of an advanced economy.

Government-Provided Services

Of the total service sector employment, just over one-third of all jobs are in "non-traded services" such as health, education, and public administration. Most of the jobs in these sectors are government activities and services that are publicly funded. As a result, they will not be significantly affected by the Free Trade Agreement.

Market Services

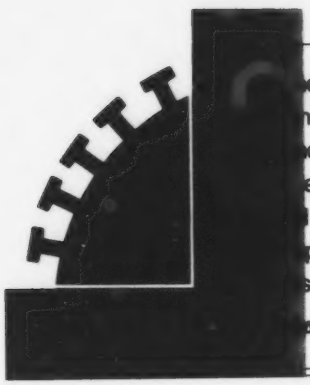
In contrast, most market-driven services are included in the FTA, and will be impacted to varying degrees by its provisions. One notable exclusion from the FTA is the transportation services industry. However, even this industry will benefit indirectly through shifts in commodity flows and an increased level of economic activity.

Market-based services include such industry groups as:

- Business services - architects, engineering and other technical services, management consultants, advertising consultants, employment agencies, etc.
- Oil and gasfield services
- Financial services
- Retail and wholesale trade
- Transportation services
- Tourism - accommodation and food services, recreation, etc.

OR

ALBERTA MARKET-BASED SERVICE INDUSTRIES



	Industry Revenues/Output ($ Million)*	Employment
ess Services	2,000	75,000
nd Gasfield Services	2,200	25,000
cial Services	9,400	57,500
esale Trade	22,500**	60,500
Trade	15,000**	148,000
portation Services	2,800	49,000
sm	2,200	74,000
AL	56,100	489,000

** All figures cited are for 1987*
*** Revenue figures represent total sales*

BUSINESS SERVICES

	Industry
Revenues ($M)	$ 2,000
Employment	75,000

Industry Profile

Alberta's business services industry consists of firms engaged in architectural, engineering, and related scientific services; management consultants; lawyers and accountants; and other business services such as advertising and employment agencies, and security services.

Effects of the FTA

A number of provisions in the Free Trade Agreement directly affect this industry. These include:

- Improved access for business visitors, professionals, sales personnel, investors, and intra-company transferees.
- Expanded and more secure access for architects as a result of the agreement reached by the two national associations.
- The joint accreditation of some laboratories by both Canada and the United States.

Beyond these direct effects, most of the benefits to business services will be of an indirect nature through increased economic activity in Alberta.

Opportunities Created by the FTA

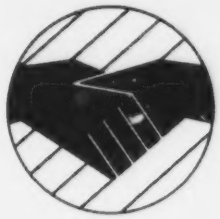
Overall, the new rules for temporary entry of business persons will provide Alberta businesses with easier access to the United States. While U.S. markets are generally well-served by existing U.S. firms in the business services industry, opportunities may arise to expand into adjacent states.

The FTA may create opportunities for consulting engineering firms to expand the range of services offered to meet the needs of downstream segments of the U.S. oil and gas industry, including refineries and petrochemical producers. Alberta engineering firms may also have opportunities to provide cold weather engineering and design services for projects in the northern states and Alaska.

OPPORTUNITIES

Expansion of Business Services into Adjacent States

Increased Demand for Engineering Consultants



OIL AND GASFIELD SERVICES

	Industry
Revenues ($M)	$ 2,200
Employment	25,000

Industry Profile

The oil and gasfield industry includes drilling and service rig contractors, geophysical and seismic contractors, and other related support services such as well testing, coring, logging, and chemical treating services.

Alberta firms are recognized world wide for their expertise in the oil and gas industry.

Effects of the FTA

The oil and gasfield services industry will benefit from the removal of tariffs on the chemicals and equipment used by Alberta-based firms, and by such provisions as improved temporary access for business persons.

The Free Trade Agreement will enhance and secure access to United States markets for Canadian oil and gas, which will improve the energy investment climate in Alberta and increase the demand for oil and gasfield services.

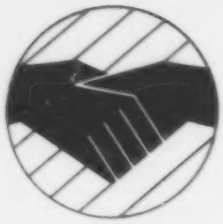
Opportunities Created by the FTA

It is expected that most opportunities for the oil and gasfield services industry will arise from increased exploration and development activity in Alberta.

Easier access into the United States under the FTA will eliminate many of the frustrations that Alberta oil and gasfield companies have experienced in servicing U.S. customers. In particular, aerial photography and mapping services, geophysical contractors, and petroleum engineers are expected to benefit. The FTA is also expected to enhance opportunities to market Alberta's proven cold-climate technologies expertise and services in the U.S., especially in areas such as Alaska.

OPPORTUNITIES

- Cold weather technologies and related services
- Petroleum engineering services
- Geophysical contractors
- Aerial photography and mapping



FINANCIAL SERVICES

	Industry
Output ($M)	$ 9,400
Employment	57,500

Industry Profile

Canadian financial industry reforms and deregulation over the past few years have broadened the allowable activities of all segments of the financial services industry. This has resulted in a more competitive industry.

Effects of the FTA

Under the Free Trade Agreement, Canadian banks operating in the United States will be permitted to underwrite and deal in securities issues of Canadian governments. This could produce substantial volumes of new business for Canadian banks.

Financial institutions, other than insurance, are not covered by the dispute settlement procedures of the FTA. Disputes will be settled through consultations between the federal Department of Finance and the U.S. Department of Treasury.

Opportunities Created by the FTA

The FTA creates a number of specific opportunities for banks, including expansion of trade financing in Alberta, participation in Canadian provincial and municipal bond/debenture issues, and participation in real estate limited partnerships.

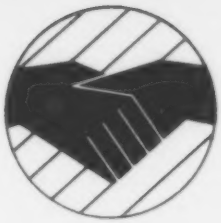
Custodial work with U.S. pension funds, expanded lending arrangements into the U.S., and work as transfer agents in the U.S. are areas offering strong growth potential for trust companies.

For Alberta-based insurance companies, credit unions, and Treasury Branches, opportunities for growth are expected to arise from a stronger and more diversified Alberta economy.

OPPORTUNITIES

Expansion of Trade Financing in Alberta

Increased Work as Transfer Agents in the U.S.



WHOLESALE TRADE

	Industry
Sales ($M)	$ 22,500
Employment	60,500

Industry Profile

The wholesale trade sector is comprised of firms which primarily purchase merchandise for resale to retailers, and commercial, industrial, institutional, farm, and professional businesses.

The Alberta wholesale sector is characterized by a high degree of competition. Despite a relatively small provincial market, large Alberta wholesalers are eminently capable of competing with U.S. firms.

Major markets for wholesalers include chains and independent retailers, and industry end-users in the province. Some specific segments, such as lumber and building materials and the metal products industry, are increasing their orientation towards export markets.

Effects of the FTA

Sourcing will be improved as the Free Trade Agreement will facilitate access to U.S. suppliers. Duty free access to supplies will also lower the cost of both Canadian and U.S. manufactured products.

Opportunities Created by the FTA

While the FTA will have little direct impact on wholesalers, these operations are expected to benefit indirectly from increased economic activity in the province.

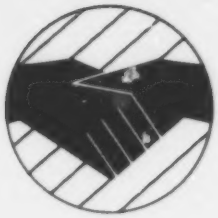
Over the long term, Alberta wholesalers may wish to pursue opportunities to expand their regional distribution markets southward into the states of Montana, Idaho, Wyoming, and parts of Washington.

Under the FTA, Alberta wholesalers who export lumber and metal products will benefit from improved and more secure access to U.S. markets.

OPPORTUNITIES

Southward Expansion of Distribution Markets

Lumber and Metal Products



RETAIL TRADE

	Industry
Sales ($M)	$ 15,000
Employment	148,000

Industry Profile

The retail trade sector consists of firms engaged in the purchase of personal and household products for resale to the public, along with businesses providing related services such as installation and repair.

Growth in the retail sector is closely tied to the level of personal disposable income, consumer tastes, and credit availability.

Effects of the FTA

Most impacts on the sector will be indirect benefits arising from increased employment and income in other sectors of the economy. The direct effects of the Free Trade Agreement are not expected to have a significant impact on cross-border activity.

The removal of tariffs on all end products is expected to lead to a corresponding decline in the price of a wide range of consumer goods, resulting in an increase in demand, particularly for non-durable goods.

Opportunities Created by the FTA

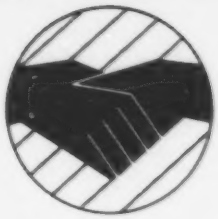
As the Free Trade Agreement is expected to increase employment and incomes in other sectors of the provincial economy, retail operations should benefit significantly from an increase in consumer demand.

The FTA is expected to contribute to the emergence of new marketing concepts such as factory outlet malls, discounters, and more home shopping and mail order options.

Opportunities may arise for developing niche markets in the United States for new retail concepts. The FTA may simplify the process of expansion, as inventory sources established by the Alberta retailer could be utilized, without tariff penalty, to supply U.S. stores. However, most expansions are expected to take place through mergers, acquisitions, and joint ventures with U.S. operations.

OPPORTUNITIES

- Increased Consumer Demand in Alberta
- New Merchandising Concepts
- New Types of Retail Businesses
- Expansion into Adjacent States



TRANSPORTATION SERVICES

	Industry
Revenues ($M)	$ 2,800
Employment	49,000

Industry Profile

The transportation services industry supports and is essential to commerce and trade activity in the province.

Transportation modes include rail (CN and CP), bus, air (two national airlines plus smaller regional and charter operations), pipelines (six major transmission utilities transporting oil, gas, and related products), and trucking (a dozen large Alberta firms, plus 6,000 to 7,000 independent owner-operators).

Effects of the FTA

While transportation services are excluded from the Free Trade Agreement, the industry will benefit from:

- the removal of tariffs on inputs such as tractors, trailers, tires, locomotives, and railway cars;
- quicker cross-border movement of goods due to pre-arrangements and reduced customs restrictions; and
- enhanced activity in other sectors of the economy which will increase the demand for transportation services.

Opportunities Created by the FTA

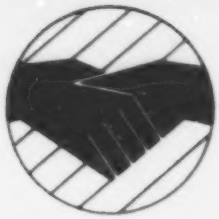
With more secure access for energy exports, opportunities exist to undertake projects to further expand north-south pipeline capacity to handle increased volumes.

For the trucking industry, the anticipated increase in north-south movements of goods generated by activity in other sectors of the economy will present opportunities for growth and expansion.

OPPORTUNITIES

Increased pipeline volumes and the potential for new pipeline capacity

Increased demand for trucking services, particularly for the north-south movement of goods



TOURISM

	Industry
Revenues ($M)	$ 2,200
Employment	74,000

Industry Profile

The tourism industry affects a wide range of businesses in other industries such as food, auto, lodging, amusement, and recreation. These industries provide amenities and services to residents and visitors alike. In 1986, Alberta residents accounted for approximately 50% of the province's tourism revenues, other Canadians 29%, U.S. visitors 15%, and other international visitors 6%.

Effects of the FTA

The hospitality industry will benefit from lower prices on materials and supplies when tariffs are removed. Improved tourist access to the Canadian and Alberta markets will occur as a result of reduced restrictions on temporary access for business persons, and the new bilateral consultation mechanism which will eliminate impediments to tourism and identify ways to increase and facilitate travel between the two countries.

The Free Trade Agreement will increase trans-border commerce, leading to increased travel between the U.S. and Canada. The estimated long term impact of the FTA is projected to be a substantial increase in tourism employment and revenues.

Opportunities Created by the FTA

The hospitality industry will benefit from lower prices on materials and supplies as tariffs are eliminated.

As business travel becomes easier, operations serving the business market - hotels, car rental agencies, convention facilities, and airlines - will have the opportunity to expand sales. Increased business travel should increase combined business/pleasure trips to Alberta destinations.

With the FTA, Alberta's tourism industry has greater opportunities to attract more visitors from established markets in the Pacific Northwest and California. There is also increased potential to build markets in other U.S. regions such as the Northeast, Midwest, and Texas.

OPPORTUNITIES

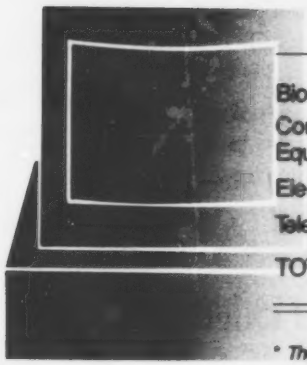
Increased Market Potential in Established U.S. Markets, and in Other Regions of the U.S. (Northeast, Midwest, and Texas)

ADVANCED TECHNO

Sector Profile

Alberta's advanced technology sector represents a crucial area of activity in the continued diversification of Alberta's economy. The past decade has seen impressive developments made in this sector in terms of growth in the number of firms, expanded areas of research and product development, and further penetration of international markets. The Free Trade Agreement is expected to add impetus to these developments, not only because it will expand and secure access to the United States market, but also because it will complement the marketing and development plans most firms have followed to date.

ADVANCED TECHNOLOGY INDUSTRIES*



	Industry Revenues ($ Million)**	Employment
Biotechnology/Pharmaceuticals	25	250
Computer Software Services and Equipment	415	4,400
Electronics	320	3,200
Telecommunications Equipment	495	2,200
TOTAL	1,255	10,050

** These industries do not comprise Alberta's Advanced Technology sector in its entirety.*
*** Figures cited are for 1987*

Effects of the FTA

The Free Trade Agreement has direct benefits for the biotechnology and pharmaceuticals, electronics, and telecommunications equipment industries. Like other service industries, the computer software services industry anticipates that the indirect benefits of a growing economy will exceed the direct benefits.

LOGY

BIOTECHNOLOGY AND PHARMACEUTICALS

(In $Millions)

Total	$5-$20
U.S.	50%

Industry Profile

While relatively new, the biotechnology and pharmaceutical industry has tremendous potential for Alberta. Within the province, activity is concentrated in the areas of human products and animal and environmental products.

Effects of the FTA

Under the Free Trade Agreement, tariffs of up to 17% are being eliminated. The impact on the industry is expected to be positive as a result of expanded access to the United States market. Alberta sales of human diagnostic and blood treatment products are expected to continue to grow and penetrate new markets.

In the equine industry, Alberta researchers are developing high technology equipment for both diagnosis and therapy. In addition, Alberta biologists continue their breeding research using frozen semen. The elimination of U.S. tariffs on animal diagnostic equipment and other animal health care products will be of significant benefit to Alberta manufacturers.

Opportunities Created by the FTA

It is expected that Alberta companies will have the opportunity to increase market penetration for synthetic carbohydrate-based products, diagnostic, and blood purification products.

There is also potential for increased sales of animal diagnostic equipment and other animal health care products, including magnetic field therapy treatments for the equine industry.

OPPORTUNITIES

- Synthetic Carbohydrate-Based Products
- Diagnostic Products
- Blood Purification Products
- Animal Health Care Products

COMPUTER SOFTWARE SERVICES AND EQUIPMENT

ALBERTA EXPORTS

(In $Millions)

Total	$5 - $25
U.S.	50%

Industry Profile

Alberta's computer services industry has evolved rapidly, and is comprised of three groups:

- Computer and related services, including firms engaged in data processing, input preparation software and systems service, etc.
- Engineering, geophysical, and other software companies engaged in industry specific software applications.
- Computer hardware manufacturers.

Most of the export activity comes from the latter two areas. Export sales of computer products constitute about 6% of annual industry revenues.

Effects of the FTA

Two major provisions of the FTA will benefit the computer services industry. The removal of the 3.9% Canadian tariff on U.S. computer hardware equipment will reduce the industry's purchasing costs for U.S. hardware. The temporary access for business persons provisions will facilitate marketing, after-sales consultation and technical support in the U.S. Increased competition from U.S. firms is not expected to pose a major challenge.

Opportunities Created by the FTA

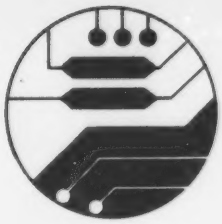
Application and industry-specific software products, such as well-log and other geophysical software, including expert systems software, are expected to receive strong interest in the United States. There are also opportunities for aggressive marketers to develop markets for broader application software packages, such as those sold over-the-counter for use in personal computers.

Specific sales opportunities are most likely to be in the U.S. Pacific Northwest and in states such as Texas and California. Familiarity with these markets should help Alberta computer services companies, especially software firms, to identify niche markets which may not exist in Canada.

OPPORTUNITIES

Application-Specific Software

Expanded Markets for Existing Computer Software Services/Equipment



ELECTRONICS

ALBERTA EXPORTS

(In $Millions)

Total	$25-$50
U.S.	50%

Industry Profile

Alberta's growing electronics industry produces equipment in two major product areas: test/measurement/control systems, and subassemblies/subsystems. Exports account for about 10% of the industry's annual sales.

Effects of the FTA

Under the Free Trade Agreement, most electronics products will be tariff free in five years. Because the majority of these products are sold through contracts and are not general consumer products, they usually sell on the merit of specifications and quality and not solely on price considerations. As a result, tariff reductions are not expected to be a highly significant factor.

Opportunities Created by the FTA

To the extent that the Free Trade Agreement will encourage increased sales of Alberta oil and gas to the United States, Alberta electronic systems manufacturers could benefit indirectly from increased exploration and production within the province.

Alberta firms may also benefit from expanded access to U.S. government procurement contracts for selected electronics products. Quality and after-sales service, more so than price, will remain the essential factors in developing new markets in the U.S.

OPPORTUNITIES

Expanded Oil and Gas Product Applications in Alberta

Possibility of U.S. Government Contracts

TELECOMMUNICATIONS EQUIPMENT

(In $Millions)

Total	$250-$450
U.S.	50%

Industry Profile

The telecommunications industry produces tracking equipment, switching and telephone equipment, cellular telephones, data distribution equipment, protocol testers, and supervisory control and data acquisition (SCADA) equipment. Alberta's industry is internationally competitive, with sales outside of Canada accounting for more than 50% of total revenues.

Effects of the FTA

Canadian and United States tariffs on most telecommunications equipment are being phased out over five to ten years. Telephones and switching apparatus have faced a U.S. tariff of 8.5%, while a 2% U.S. tariff has applied to cellular phones.

Tariff reductions, combined with security of access, should result in both employment and value of shipments increasing as a result of the Free Trade Agreement.

Opportunities Created by the FTA

Alberta manufacturers are well positioned to expand their export sales in the large and competitive U.S. marketplace, particularly in switching systems and cellular phones. Related opportunities exist to market cellular system design expertise and consulting services.

Removal of U.S. tariffs is also expected to expand market opportunities for SCADA systems.

OPPORTUNITIES

- Switching Systems
- Cellular Phones
- System Design
- SCADA Systems

CONTACT CHECKL

This Guide and other publications available provide an overview of the potential impacts and opportunities created by the Free Trade Agreement. Even so, they represent only a first step in assembling the market intelligence base essential to meeting the challenges and seizing the opportunities which lie ahead.

Whether you would like to arrange a meeting, obtain publications, or simply clarify a point within the Agreement or this Guide, we invite you to contact one of our Business Counsellors at a Regional Office in your area.

OTHER "LET'S TALK TRADE" PUBLICATIONS

In addition to this brochure, the "LET'S TALK TRADE" program includes these other informative publications:

► Strategies for Success

... a handbook of export regulations, processes and procedures

► Targetting Tomorrow

... a Ministerial trade policy statement with emphasis on a new and enhanced U.S. Trade and Investment strategy

► Program Brochures:

EXTRA (Export Trade Readiness for Alberta)
WITS (Winning Initiatives Through Trade Shows)
NEBS (New Exporters to Border States)
NEXUS (New Exporters to U.S. South)
TEST (Transportation Export Services for Trade)
FINANCIAL PROGRAM GUIDE FOR ALBERTA EXPORTERS

Information within this Guide is presented for your consideration, information, and verification. The Government of Alberta disclaims any responsibility for costs or damages which may arise as a result of relying upon any or all of the information supplied.

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